

CITY OF EVANSDALE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

- Prepared By -

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CITY OF EVANSDALE, IOWA

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CITY OF EVANSDALE, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Chad Deutsch	Mayor	January 2014
Kenny Loftus	Mayor Pro tem	January 2016
Dick Dewater	Council Member	January 2014
Gene Walker	Council Member	January 2014
Carl Wyant	Council Member	Resigned
Jessica Miller	Council Member (Appointed)	January 2014
Rick Hibben	Council Member	January 2016
Becky Walters	City Clerk	January 2014
DeAnne Kobliska	Deputy Clerk	Indefinite
Craig Ament	Attorney	January 2014
Dona R. Frickson	Waterworks Trustee	January 2014
Sharon K. Loftus	Waterworks Trustee	January 2016
Chad Borwig	Waterworks Trustee	January 2018
Sandra E. Clements	Waterworks Office Manager	Indefinite
Pat Galles	Waterworks Attorney	January 2014



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Evansdale, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the financial statements referred to above do not include the financial transactions of the Evansdale Volunteer Fire Department Association, a component unit of the City of Evansdale which should be included in order to conform with U.S. generally accepted accounting principles. The financial transactions that should have been recorded were not received.

Qualified Opinions

In my opinion, except for the effects on the financial statements due to the exclusion of the financial transactions of the Evansdale Volunteer Fire Department Association from the reporting entity, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Evansdale as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evansdale's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 27 through 29 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 9, 2013 on my consideration of the City of Evansdale's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Evansdale's internal control over financial reporting and compliance.



Charles City, Iowa
December 9, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Evansdale provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 15.1%, or approximately \$522,000, from fiscal year 2012 to fiscal year 2013. Charges for service and property tax decreased approximately \$34,000 and \$70,000, respectively. Capital grants, contributions and restricted interest decreased approximately \$323,000.

Disbursements of the City's governmental activities increased 1.0%, or approximately \$32,000, in fiscal year 2013 from fiscal year 2012. Public works and debt service increased approximately \$62,000 and \$237,000, respectively. Culture and recreation and community and economic development decreased approximately \$47,000 and \$213,000, respectively.

The City's total cash basis net position decreased 3.1%, or approximately \$80,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$1,000 and the cash basis net position of the business type activities decreased by approximately \$81,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, sanitary sewer system and sanitation/recycling. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds to provide separate information for the Waterworks, Sewer Revenue and Sanitation/Recycling Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1,860,000 to approximately \$1,861,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)

	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 326	\$ 360
Operating grants, contributions and restricted interest	527	600
Capital grants, contributions and restricted interest	-	323
General receipts:		
Property tax	1,149	1,219
Local option sales tax	544	570
Unrestricted interest on investments	17	19
Sale of capital assets	2	19
Interfund loans	123	128
Other general receipts	255	227
Total receipts	<u>\$ 2,943</u>	<u>\$ 3,465</u>
Disbursements:		
Public safety	\$ 1,006	\$ 1,009
Public works	656	594
Health and social services	16	-
Culture and recreation	272	319
Community and economic development	4	217
General government	305	325
Debt service	845	608
Total disbursements	<u>\$ 3,104</u>	<u>\$ 3,072</u>
Change in cash basis net position before transfers	\$ (161)	\$ 393
Transfers, net	<u>162</u>	<u>137</u>
Change in cash basis net position	\$ 1	\$ 530
Cash basis net position beginning of year	<u>1,860</u>	<u>1,330</u>
Cash basis net position end of year	<u>\$ 1,861</u>	<u>\$ 1,860</u>

The City's total receipts for governmental activities decreased 15.1%, or approximately \$522,000. The total cost of all programs and services increased approximately \$32,000, or 1.0%, with no new programs added this year. The decrease in receipts was primarily the result of bond proceeds and capital grants, contributions and restricted interest received in the prior year, while the increase in disbursements was a result of increased disbursements in debt service and decreased disbursements in community and economic development.

The cost of all governmental activities this year was approximately \$3,104,000 compared to approximately \$3,072,000 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 10-13, the amount taxpayers ultimately financed for these activities was only approximately \$2,250,000 because some of the cost was paid by those directly benefited from the programs (\$326,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$527,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$1,283,000 to approximately \$853,000 principally due to receiving grant proceeds for community and economic development in the prior year.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service:		
Waterworks	\$ 467	\$ 400
Sewer revenue	415	411
Sanitation/Recycling	239	236
Other	30	19
Operating grants, contribution and restricted interest	19	21
General receipts:		
Unrestricted interest on investments	5	4
Bond proceeds, net	-	239
Interfund loans	(123)	(128)
Other general receipts	36	32
Total receipts	<u>\$ 1,088</u>	<u>\$ 1,234</u>
Disbursements:		
Waterworks	\$ 501	\$ 421
Sewer revenue	215	252
Sanitation/Recycling	274	251
Other	17	18
Total disbursements	<u>\$ 1,007</u>	<u>\$ 942</u>
Change in cash basis net position before transfers	\$ 81	\$ 292
Transfers, net	<u>(162)</u>	<u>(137)</u>
Change in cash basis net position	\$ (81)	\$ 155
Cash basis net position beginning of year	<u>692</u>	<u>537</u>
Cash basis net position end of year	<u>\$ 611</u>	<u>\$ 692</u>

Total business type activities receipts for the fiscal year were approximately \$1,088,000 compared to approximately \$1,234,000 last year. This decrease was due primarily to bond proceed receipts in the prior year. The cash balance decreased approximately \$81,000 from the prior year. Total disbursements for the fiscal year increased by 7% to approximately \$1,007,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$1,860,924, an increase of \$1,253 from last year's total of \$1,859,671. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$56,753 from the prior year to \$344,580.

The Special Revenue, Road Use Tax Fund cash balance increased \$37,419 to \$284,401 during the fiscal year.

The Special Revenue, Local Option Sales Tax Fund cash balance remained unchanged from the prior year with all receipts transferred out during the fiscal year.

The Special Revenue, Home Acres TIF Fund cash balance increased by \$5,007 to \$321,155 during the fiscal year. This increase was attributable to debt payments less than current year tax increment financing receipts. The City intends to use this money to repay TIF debt obligations.

The Special Revenue, Police Retirement Fund cash balance remained unchanged at \$300,000 due to no activity during the fiscal year.

The Debt Service Fund cash balance increased \$2,934 to \$76,676 due to debt payments less than receipts and transfers in.

The Capital Projects, Street Fund cash balance increased \$56,311 from the prior year to \$302,752. The City had significant construction costs during the year and transferred in ample funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Waterworks Fund cash balance decreased by \$145,173 to \$283,513, due primarily to debt payments made during the year.

The Enterprise, Sewer Revenue Fund cash balance increased by \$67,493 to \$166,861, due primarily to a decrease in operating disbursements.

The Enterprise, Sanitation/Recycling Fund cash balance decreased by \$16,520 to \$74,974, due primarily to an increase in operating disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 7, 2013, resulting in an increase in operating disbursements and financing uses of \$427,397, and an increase in operating receipts and other financing sources of \$141,387.

DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$3,415,000 in bonds, notes and other long-term debt outstanding, compared to approximately \$4,125,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2013	2012
General obligation bonds and notes	\$ 2,210	\$ 2,800
Urban renewal tax increment financing revenue bonds	1,095	1,190
Capital leases	110	135
Total	<u>\$ 3,415</u>	<u>\$ 4,125</u>

Debt decreased as a result of scheduled debt payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation bond and notes of approximately \$2,320,000 and tax increment financing debt of \$1,095,000 is significantly below its constitutional debt limit of \$10,982,424.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Evansdale's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Becky Walters, City Clerk, 123 North Evans Road, Evansdale, Iowa 50707.

Basic Financial Statements

CITY OF EVANSDALE, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

		<u>Program Receipts</u>		
		<u>Charges</u>	<u>Operating Grants, Capital Grants,</u>	<u>Contributions</u>
	<u>Disbursements</u>	<u>for</u>	<u>and Restricted</u>	<u>and Restricted</u>
FUNCTIONS/PROGRAMS:		<u>Service</u>	<u>Interest</u>	<u>Interest</u>
Governmental activities:				
Public safety	\$1,006,111	\$ 216,585	\$ 27,587	\$ -
Public works	655,573	-	472,368	-
Health and social services	15,705	-	-	-
Culture and recreation	272,425	110,341	26,872	-
Community and economic development	4,632	-	-	-
General government	304,788	-	-	-
Debt service	844,973	-	-	-
Total governmental activities	<u>\$3,104,207</u>	<u>\$ 326,926</u>	<u>\$ 526,827</u>	<u>\$ -</u>
Business type activities:				
Waterworks	\$ 500,234	\$ 466,491	\$ -	\$ -
Sewer revenue	215,392	415,348	-	-
Sanitation/Recycling	273,937	238,413	19,004	-
Other	17,302	30,343	-	-
Total business type activities	<u>\$1,006,865</u>	<u>\$1,150,595</u>	<u>\$ 19,004</u>	<u>\$ -</u>
Total	<u>\$4,111,072</u>	<u>\$1,477,521</u>	<u>\$ 545,831</u>	<u>\$ -</u>

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (761,939)	\$ -	\$ (761,939)
(183,205)	-	(183,205)
(15,705)	-	(15,705)
(135,212)	-	(135,212)
(4,632)	-	(4,632)
(304,788)	-	(304,788)
<u>(844,973)</u>	<u>-</u>	<u>(844,973)</u>
 \$ (2,250,454)	 \$ -	 \$ (2,250,454)
 \$ -	 \$ (33,743)	 \$ (33,743)
-	199,956	199,956
-	(16,520)	(16,520)
<u>-</u>	<u>13,041</u>	<u>13,041</u>
 \$ -	 \$ 162,734	 \$ 162,734
<u>\$ (2,250,454)</u>	<u>\$ 162,734</u>	<u>\$ (2,087,720)</u>

CITY OF EVANSDALE, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

General Receipts and Transfers:

Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Sale of capital assets
Interfund loans
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:
 Expendable:
 Streets
 Urban renewal purposes
 Debt service
 Other purposes
Customer deposits
Assigned for various
Unrestricted

Total cash basis net position

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 787,154	\$ -	\$ 787,154
45,596	-	45,596
316,678	-	316,678
543,696	-	543,696
17,174	4,780	21,954
254,533	36,349	290,882
1,854	-	1,854
123,315	(123,315)	-
161,707	(161,707)	-
<u>\$ 2,251,707</u>	<u>\$ (243,893)</u>	<u>\$ 2,007,814</u>
\$ 1,253	\$ (81,159)	\$ (79,906)
<u>1,859,671</u>	<u>692,333</u>	<u>2,552,004</u>
<u>\$ 1,860,924</u>	<u>\$ 611,174</u>	<u>\$ 2,472,098</u>
\$ 284,401	\$ -	\$ 284,401
330,609	-	330,609
76,676	-	76,676
484,419	-	484,419
-	75,831	75,831
452,084	-	452,084
232,735	535,343	768,078
<u>\$ 1,860,924</u>	<u>\$ 611,174</u>	<u>\$ 2,472,098</u>

CITY OF EVANSDALE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

		Special		
	General	Road Use Tax	Local Option Sales Tax	Home Acres TIF
RECEIPTS:				
Property tax	\$ 602,375	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	157,137
Other city tax	50,270	-	543,696	-
Licenses and permits	55,603	-	-	-
Use of money and property	31,604	-	-	-
Intergovernmental	120,644	454,984	-	-
Charges for service	283,424	-	-	-
Special assessments	435	-	-	-
Miscellaneous	77,174	-	-	-
Total receipts	<u>\$1,221,529</u>	<u>\$ 454,984</u>	<u>\$ 543,696</u>	<u>\$ 157,137</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 795,288	\$ -	\$ -	\$ -
Public works	-	417,565	-	-
Health and social services	15,705	-	-	-
Culture and recreation	259,496	-	-	-
Community and economic development	-	-	-	-
General government	204,880	-	-	-
Debt service	-	-	-	152,060
Total disbursements	<u>\$1,275,369</u>	<u>\$ 417,565</u>	<u>\$ -</u>	<u>\$ 152,060</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (53,840)</u>	<u>\$ 37,419</u>	<u>\$ 543,696</u>	<u>\$ 5,077</u>
Other financing sources (uses):				
Sale of capital assets	\$ 1,854	\$ -	\$ -	\$ -
Interfund loans	-	-	-	-
Operating transfers in	108,739	-	-	-
Operating transfers out	-	-	(543,696)	-
Total other financing sources (uses)	<u>\$ 110,593</u>	<u>\$ -</u>	<u>\$ (543,696)</u>	<u>\$ -</u>
Change in cash balances	\$ 56,753	\$ 37,419	\$ -	\$ 5,077
Cash balances beginning of year	<u>287,827</u>	<u>246,982</u>	<u>-</u>	<u>316,078</u>
Cash balances end of year	<u>\$ 344,580</u>	<u>\$ 284,401</u>	<u>\$ -</u>	<u>\$ 321,155</u>
Cash Basis Fund Balances:				
Restricted for:				
Urban renewal purposes	\$ -	\$ -	\$ -	\$ 321,155
Debt service	-	-	-	-
Streets	-	284,401	-	-
Other purposes	-	-	-	-
Assigned for various	111,845	-	-	-
Unassigned	<u>232,735</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 344,580</u>	<u>\$ 284,401</u>	<u>\$ -</u>	<u>\$ 321,155</u>

See Notes to Financial Statements.

<u>Revenue</u> <u>Police</u> <u>Retirement</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>		<u>Total</u>
		<u>Street</u>	<u>Nonmajor</u>	
\$ -	\$ 45,596	\$ -	\$ 184,779	\$ 832,750
-	-	-	159,541	316,678
-	-	-	-	593,966
-	-	-	-	55,603
-	-	-	-	31,604
-	-	17,384	6,211	599,223
-	-	-	-	283,424
-	-	8,676	-	9,111
-	-	2,176	16,875	96,225
<u>\$ -</u>	<u>\$ 45,596</u>	<u>\$ 28,236</u>	<u>\$ 367,406</u>	<u>\$ 2,818,584</u>
\$ -	\$ -	\$ -	\$ 210,823	\$ 1,006,111
-	-	238,008	-	655,573
-	-	-	-	15,705
-	-	-	12,929	272,425
-	-	-	4,632	4,632
-	-	-	99,908	304,788
-	490,712	-	202,201	844,973
<u>\$ -</u>	<u>\$ 490,712</u>	<u>\$ 238,008</u>	<u>\$ 530,493</u>	<u>\$ 3,104,207</u>
\$ -	\$ (445,116)	\$ (209,772)	\$ (163,087)	\$ (285,623)
\$ -	\$ -	\$ -	\$ -	\$ 1,854
-	123,315	-	-	123,315
-	324,735	271,848	163,109	868,431
-	-	(5,765)	(157,263)	(706,724)
<u>\$ -</u>	<u>\$ 448,050</u>	<u>\$ 266,083</u>	<u>\$ 5,846</u>	<u>\$ 286,876</u>
\$ -	\$ 2,934	\$ 56,311	\$ (157,241)	\$ 1,253
300,000	73,742	246,441	388,601	1,859,671
<u>\$ 300,000</u>	<u>\$ 76,676</u>	<u>\$ 302,752</u>	<u>\$ 231,360</u>	<u>\$ 1,860,924</u>
\$ -	\$ -	\$ -	\$ 9,454	\$ 330,609
-	76,676	-	-	76,676
-	-	-	-	284,401
300,000	-	-	184,419	484,419
-	-	302,752	37,487	452,084
-	-	-	-	232,735
<u>\$ 300,000</u>	<u>\$ 76,676</u>	<u>\$ 302,752</u>	<u>\$ 231,360</u>	<u>\$ 1,860,924</u>

CITY OF EVANSDALE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

		Enterprise			
	Waterworks	Sewer Revenue	Sanitation/ Recycling	Nonmajor	Total
Operating receipts:					
Charges for service	\$ 430,134	\$ 415,348	\$ 231,400	\$ 30,343	\$1,107,225
Miscellaneous	36,357	-	7,013	-	43,370
Total operating receipts	\$ 466,491	\$ 415,348	\$ 238,413	\$ 30,343	\$1,150,595
Operating disbursements:					
Business type activities	347,675	215,392	273,937	17,302	854,306
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 118,816	\$ 199,956	\$ (35,524)	\$ 13,041	\$ 296,289
Non-operating receipts (disbursements):					
Intergovernmental	\$ -	\$ -	\$ 19,004	\$ -	\$ 19,004
Use of money and property:					
Interest on investments	4,780	-	-	-	4,780
Rents	36,349	-	-	-	36,349
Debt service	(152,559)	-	-	-	(152,559)
Net non-operating receipts (disbursements)	\$ (111,430)	\$ -	\$ 19,004	\$ -	\$ (92,426)
Excess (deficiency) of receipts over (under) disbursements	\$ 7,386	\$ 199,956	\$ (16,520)	\$ 13,041	\$ 203,863
Other financing sources(uses):					
Interfund loans	\$ (123,315)	\$ -	\$ -	\$ -	\$ (123,315)
Operating transfers out	(29,244)	(132,463)	-	-	(161,707)
Total other financing uses	\$ (152,559)	\$ (132,463)	\$ -	\$ -	\$ (285,022)
Change in cash balances	\$ (145,173)	\$ 67,493	\$ (16,520)	\$ 13,041	\$ (81,159)
Cash balances beginning of year	428,686	99,368	91,494	72,785	692,333
Cash balances end of year	\$ 283,513	\$ 166,861	\$ 74,974	\$ 85,826	\$ 611,174
Cash Basis Fund Balances:					
Restricted for customer deposits	\$ -	\$ -	\$ -	\$ 75,831	\$ 75,831
Unrestricted	283,513	166,861	74,974	9,995	535,343
Total cash basis fund balances	\$ 283,513	\$ 166,861	\$ 74,974	\$ 85,826	\$ 611,174

See Notes to Financial Statements.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The City of Evansdale is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1947 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation/recycling utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Evansdale has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Blended Component Unit

The Evansdale Municipal Waterworks and Evansdale Volunteer Fire Department Association are entities which are legally separate from the City, but are so intertwined with the City that they are, in substance, part of the City. The Evansdale Municipal Waterworks has been established pursuant to Chapter 388 of the Code of Iowa for operation of the city waterworks. Although the municipal waterworks is legally separate from the City, its operations are budgeted with, and reported with the City's Proprietary Fund Types.

The Evansdale Volunteer Fire Department Association is not presented in these financial statements. The Association is incorporated under Chapter 504 of the Code of Iowa. It's mission is to diligently prevent and control fires, to provide emergency services, and to perform such duties in connection therewith as may be required of it under the control of the Evansdale City Council and such officers that may be elected by the Fire Department from year to year. Contributions are used for training and to purchase items which are not included in the City's budget.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies - continued

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Black Hawk County Assessor's Conference Board, Black Hawk County E-911 Joint Service Board, Black Hawk County Emergency Management Agency, Iowa Northland Regional Council of Governments, Criminal Justice Information Systems and the Black Hawk Consolidated Public Safety Communications Board. The City also participates in the Black Hawk County Solid Waste Management Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies - continued

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and disbursements.

The Home Acres TIF Fund and Northwest TIF Fund are used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Police Retirement Fund is used to account for funds reserved for police retirement.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects, Street Fund is used to account for receipts and disbursements of the street improvement projects.

The City reports the following major proprietary funds:

The Enterprise, Waterworks Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Revenue Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sanitation/Recycling Fund accounts for the operation and maintenance of the City's garbage system.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) **Summary of Significant Accounting Policies** - continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(2) Cash and Pooled Investments - continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes and urban renewal tax increment financing revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 335,000	\$ 80,730	\$ 100,000	\$ 52,475	\$ 435,000	\$ 133,205
2015	345,000	70,307	105,000	48,075	450,000	118,382
2016	350,000	58,988	110,000	43,350	460,000	102,338
2017	265,000	47,060	115,000	38,290	380,000	85,350
2018	225,000	37,473	120,000	32,885	345,000	70,358
2019-2022	690,000	62,125	545,000	69,625	1,235,000	131,750
Total	<u>\$2,210,000</u>	<u>\$356,683</u>	<u>\$1,095,000</u>	<u>\$284,700</u>	<u>\$3,305,000</u>	<u>\$ 641,383</u>

The resolutions providing for the issuance of the general obligation bond and notes include the provisions that at the option of the City, bonds and notes due are subject to redemption and prepayment in inverse numerical order at a price of par plus accrued interest to call date, by giving proper notice.

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of planning, undertaking and carrying out an urban renewal project within the Home Acres Urban Renewal Area consisting of the construction of a Community Response Center. The bonds are payable solely from the income and proceeds of the Special Revenue Home Acres TIF Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$1,379,700, payable through June 2022. For the current year, principal and interest paid and total TIF receipts were \$151,560 and \$157,137, respectively.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(4) Capital Leases

The City leases equipment on a capital lease basis. The following is a schedule, by years, of future payments required under the leases:

<u>Year ended June 30,</u>	
2014	\$ 29,894
2015	29,893
2016	29,894
2017	29,893
Total minimum lease payments	<u>\$119,574</u>
Amounts representing interest	<u>9,612</u>
Present value of net minimum Lease payments	<u>\$109,962</u>

(5) Pension and Retirement Benefits

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report which includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, is 24.12% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2013, 2012 and 2011 were \$66,964, \$69,862 and \$60,077, respectively, which exceeded the required contribution for each year.

Iowa Public Employees Retirement System (IPERS) - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$56,199, \$52,992 and \$41,863, respectively, equal to the required contributions for each year.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(6) **Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 18 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Central States Insurance. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$539 for single coverage and \$1,322 for family coverage. For the year ended June 30, 2013, the City contributed \$140,109 and plan members eligible for benefits contributed \$24,566 to the plan.

(7) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, comp time and casual day hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable, and casual days payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 44,066
Comp time	18,070
Casual days	909
Total	<u>\$ 63,045</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(8) **Loans**

Interfund Loan Agreements

During the year ended June 30, 1985, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$281,054 to the General Fund. The loan bears no interest. As of June 30, 2013, no repayments had been made, leaving a balance of \$281,054.

During the year ended June 30, 2000, the City approved a loan of \$180,848 to be repaid by the Special Revenue Fund, East Heights Tax Increment Financing District. The Evansdale Drive PCC Widening and Signalization project was completed within that district and financed with the proceeds from the issuance of general obligation corporate purpose notes which are to be repaid from the Debt Service Fund. The East Heights Tax Increment Financing District will repay the loan to the Debt Service Fund. The loan bears no interest and matures on December 31, 2015. During the year ended June 30, 2013, no payments had been made, leaving a balance of \$26,693.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(8) Loans - continued

During the year ended June 30, 2006, the Special Revenue Fund, Northwest Tax Increment Financing District loaned \$25,700 to the Enterprise Fund, Sewer Revenue for the purpose of the East End sewer and water project. As of June 30, 2013, no repayments had been made, leaving a balance of \$25,700.

During the year ended June 30, 2012, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$71,000 to the Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of eliminating the deficit balance. During the year ended June 30, 2013, no repayments had been made, leaving a balance of \$71,000.

Intergovernmental Loan to the Evansdale Municipal Waterworks

On March 1, 1999, the City entered into a loan agreement with the Evansdale Municipal Waterworks in the amount of \$1,200,000 for the construction of a water tower with interest rates ranging from 4.30% to 4.40%. On March 24, 2009, the Waterworks and the City of Evansdale refinanced the outstanding debt and added \$66,920. The new interest rates range from 1.75% to 3.30% per annum. During the year ended June 30, 2013, a payment of \$110,000 was made, leaving a balance of \$321,920.

(9) Economic Development Loan

On August 22, 1997, the City of Evansdale loaned \$72,603 from the Special Revenue Fund, Home Acres Tax Increment Financing District to Evansdale Senior Housing III, LLC for additional financial assistance in order to complete construction of housing for low and moderate income senior citizens. The loan shall be for an indefinite period of time and bears no interest. The loan shall become due in full at any time the building, or any portion thereof, shall be sold or be used for any purpose other than solely for senior housing, or after 31 years, whichever occurs first.

(10) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(10) **Risk Management** - continued

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$59,561.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with public employee dishonesty coverage and workers compensation coverage. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF EVANSDALE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 108,739
Special Revenue: Tort Liability	Special Revenue: Local Option Sales Tax	\$ 12,105
Employee Benefits	Local Option Sales Tax	151,004
		<u>\$ 163,109</u>
Debt Service	Special Revenue: East Heights TIF Northwest TIF Capital Projects: Street Enterprise: Water Revenue Sewer Revenue	\$ 96,135 61,128 5,765 29,244 132,463
		<u>\$ 324,735</u>
Capital Projects: Street	Special Revenue: Local Option Sales Tax	\$ 271,848
Total		<u>\$ 868,431</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(12) Industrial Development Revenue Bonds

The City has issued a total of \$9,525,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$8,237,786 is outstanding at June 30, 2013. The bonds and related interest are payable solely from the revenues generated by these entities, and the bond principal and interest do not constitute liabilities of the City.

(13) Subsequent Events

On June 18, 2013, the Council approved the issuance of \$1,730,000 General Obligation Refunding Bonds with an issuance date of July 2, 2013.

On August 20, 2013, the Council approved the 2013 Street Reconstruction Project in the amount of \$148,445.

Other Information

CITY OF EVANSDALE, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted
RECEIPTS:			
Property tax	\$ 832,750	\$ -	\$ -
Tax increment financing	316,678	-	-
Other city tax	593,966	-	-
Licenses and permits	55,603	-	-
Use of money and property	31,604	41,129	-
Intergovernmental	599,223	19,004	-
Charges for service	283,424	1,150,595	-
Special assessments	9,111	-	-
Miscellaneous	96,225	-	-
Total receipts	<u>\$ 2,818,584</u>	<u>\$1,210,728</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 1,006,111	\$ -	\$ 14,633
Public works	655,573	-	-
Health and social services	15,705	-	-
Culture and recreation	272,425	-	-
Community and economic development	4,632	-	-
General government	304,788	-	-
Debt service	844,973	-	-
Business type activities	-	1,006,865	-
Total disbursements	<u>\$ 3,104,207</u>	<u>\$1,006,865</u>	<u>\$ 14,633</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (285,623)	\$ 203,863	\$ (14,633)
Other financing sources, net	<u>286,876</u>	<u>(285,022)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 1,253	\$ (81,159)	\$ (14,633)
Balances beginning of year	<u>1,859,671</u>	<u>692,333</u>	<u>14,633</u>
Balances end of year	<u>\$ 1,860,924</u>	<u>\$ 611,174</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 832,750	\$ 791,638	\$ 791,638	\$ 41,112
316,678	315,723	315,723	955
593,966	644,324	644,324	(50,358)
55,603	55,020	55,020	583
72,733	27,230	27,230	45,503
618,227	567,167	678,554	(60,327)
1,434,019	1,397,872	1,397,872	36,147
9,111	-	-	9,111
96,225	41,498	71,498	24,727
<u>\$ 4,029,312</u>	<u>\$ 3,840,472</u>	<u>\$ 3,981,859</u>	<u>\$ 47,453</u>
\$ 991,478	\$ 1,035,731	\$ 1,095,241	\$ 103,763
655,573	691,943	691,943	36,370
15,705	18,305	18,305	2,600
272,425	204,023	287,910	15,485
4,632	5,000	5,000	368
304,788	342,564	342,564	37,776
844,973	646,773	646,773	(198,200)
1,006,865	844,251	1,128,251	121,386
<u>\$ 4,096,439</u>	<u>\$ 3,788,590</u>	<u>\$ 4,215,987</u>	<u>\$ 119,548</u>
\$ (67,127)	\$ 51,882	\$ (234,128)	\$ 167,001
1,854	-	-	1,854
\$ (65,273)	\$ 51,882	\$ (234,128)	\$ 168,855
2,537,371	1,957,560	1,916,273	621,098
<u>\$ 2,472,098</u>	<u>\$ 2,009,442</u>	<u>\$ 1,682,145</u>	<u>\$ 789,953</u>

CITY OF EVANSDALE, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$427,397. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

Supplementary Information

CITY OF EVANSDALE, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Special</u>		
	<u>Tort Liability</u>	<u>Employee Benefits</u>	<u>CDBG Flood Buyout</u>
RECEIPTS:			
Property tax	\$ -	\$ 184,779	\$ -
Tax increment financing	-	-	-
Intergovernmental	-	-	1,976
Miscellaneous	-	16,875	-
Total receipts	<u>\$ -</u>	<u>\$ 201,654</u>	<u>\$ 1,976</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ -	\$ 210,823	\$ -
Culture and recreation	-	12,929	-
Community and economic development	-	-	-
General government	42,412	57,496	-
Debt service	-	-	-
Total disbursements	<u>\$ 42,412</u>	<u>\$ 281,248</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (42,412)</u>	<u>\$ (79,594)</u>	<u>\$ 1,976</u>
Other financing sources (uses):			
Operating transfers in	\$ 12,105	\$ 151,004	\$ -
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>\$ 12,105</u>	<u>\$ 151,004</u>	<u>\$ -</u>
Change in cash balances	<u>\$ (30,307)</u>	<u>\$ 71,410</u>	<u>\$ 1,976</u>
Cash balances beginning of year	<u>30,307</u>	<u>56,601</u>	<u>(1,976)</u>
Cash balances end of year	<u>\$ -</u>	<u>\$ 128,011</u>	<u>\$ -</u>
Cash Basis Fund Balances:			
Restricted for other purposes	\$ -	\$ 128,011	\$ -
Assigned for capital projects	-	-	-
Total cash basis fund balances	<u>\$ -</u>	<u>\$ 128,011</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

Revenue				Capital Projects	
Northwest TIF	Property Tax Relief Surplus	Dental Insurance	East Heights TIF	2007 G.O. Bond Sale	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,779
60,381	-	-	99,160	-	159,541
-	-	-	4,235	-	6,211
-	-	-	-	-	16,875
<u>\$ 60,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,395</u>	<u>\$ -</u>	<u>\$ 367,406</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,823
-	-	-	-	-	12,929
-	-	-	4,632	-	4,632
-	-	-	-	-	99,908
202,201	-	-	-	-	202,201
<u>\$ 202,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,632</u>	<u>\$ -</u>	<u>\$ 530,493</u>
\$ (141,820)	\$ -	\$ -	\$ 98,763	\$ -	\$ (163,087)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,109
(61,128)	-	-	(96,135)	-	(157,263)
\$ (61,128)	\$ -	\$ -	\$ (96,135)	\$ -	\$ 5,846
\$ (202,948)	\$ -	\$ -	\$ 2,628	\$ -	\$ (157,241)
210,186	56,114	294	(412)	37,487	388,601
<u>\$ 7,238</u>	<u>\$ 56,114</u>	<u>\$ 294</u>	<u>\$ 2,216</u>	<u>\$ 37,487</u>	<u>\$ 231,360</u>
\$ 7,238	\$ 56,114	\$ 294	\$ 2,216	\$ -	\$ 193,873
-	-	-	-	37,487	37,487
<u>\$ 7,238</u>	<u>\$ 56,114</u>	<u>\$ 294</u>	<u>\$ 2,216</u>	<u>\$ 37,487</u>	<u>\$ 231,360</u>

CITY OF EVANSDALE, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water Deposit</u>	<u>Sewer Deposit</u>	<u>Enterprise Garbage Deposit</u>	<u>Storm Water</u>	<u>Total</u>
Operating receipts:					
Charges for services	\$ 8,119	\$ 7,417	\$ 4,790	\$ 10,017	\$ 30,343
Operating disbursements:					
Business type activities	<u>7,064</u>	<u>6,186</u>	<u>4,030</u>	<u>22</u>	<u>17,302</u>
Change in cash balances	\$ 1,055	\$ 1,231	\$ 760	\$ 9,995	\$ 13,041
Cash balances beginning of year	<u>30,335</u>	<u>26,438</u>	<u>16,012</u>	<u>-</u>	<u>72,785</u>
Cash balances end of year	<u>\$ 31,390</u>	<u>\$ 27,669</u>	<u>\$ 16,772</u>	<u>\$ 9,995</u>	<u>\$ 85,826</u>
Cash Basis Fund Balances:					
Restricted for customer deposits	\$ 31,390	\$ 27,669	\$ 16,772	\$ -	\$ 75,831
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,995</u>	<u>9,995</u>
Total cash basis fund balances	<u>\$ 31,390</u>	<u>\$ 27,669</u>	<u>\$ 16,772</u>	<u>\$ 9,995</u>	<u>\$ 85,826</u>

See Accompanying Independent Auditor's Report.

**CITY OF EVANSDALE, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2013**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
Sewer Improvements	06/01/01	5.00 - 5.50%	\$ 995,000
Sewer Improvements	06/01/02	5.00 - 5.40	640,000
Essential Corporate Purpose	05/17/06	3.80 - 4.25	580,000
Economic Development	11/01/07	4.00	300,000
Essential Corporate Purpose	04/22/09	1.75 - 3.30	770,000
Essential Corporate Purpose	09/16/10	1.00 - 2.90	710,000
Essential Corporate Purpose	01/03/12	1.00 - 2.20	310,000
Revenue Bonds:			
Urban Renewal Tax Increment Financing (TIF)	12/01/02	3.70 - 5.10%	\$1,820,000
Capital Lease:			
John Deere Loader	06/05/10	3.25%	\$ 103,900
John Deere Loader	08/26/11	3.55	60,871
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 575,000	\$ -	\$ 50,000	\$ 525,000	\$ 30,793	\$ -
395,000	-	30,000	365,000	20,670	-
265,000	-	265,000	-	8,967	-
180,000	-	35,000	145,000	7,130	-
435,000	-	110,000	325,000	12,815	-
640,000	-	70,000	570,000	13,627	-
310,000	-	30,000	280,000	5,110	-
<u>\$2,800,000</u>	<u>\$ -</u>	<u>\$ 590,000</u>	<u>\$2,210,000</u>	<u>\$ 99,112</u>	<u>\$ -</u>
 \$1,190,000	 \$ -	 \$ 95,000	 \$1,095,000	 \$ 56,560	 \$ -
 \$ 74,336	 \$ -	 \$ 13,918	 \$ 60,418	 \$ 2,452	 \$ -
60,871	-	11,327	49,544	2,196	-
<u>\$ 135,207</u>	<u>\$ -</u>	<u>\$ 25,245</u>	<u>\$ 109,962</u>	<u>\$ 4,648</u>	<u>\$ -</u>
 <u><u>\$4,125,207</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 710,245</u></u>	 <u><u>\$3,414,962</u></u>	 <u><u>\$160,320</u></u>	 <u><u>\$ -</u></u>

CITY OF EVANSDALE, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2013

G E N E R A L O B L I G A T I O N

Year Ending June 30,	<u>Sewer Improvements</u>		<u>Sewer Improvements</u>		<u>Economic Development</u>	
	<u>Issued June 1, 2001</u>		<u>Issued June 1, 2002</u>		<u>Issued November 1, 2007</u>	
	<u>Interest</u>		<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2014	5.20%	\$ 55,000	5.05%	\$ 35,000	3.90%	\$ 35,000
2015	5.25	60,000	5.10	35,000	4.00	35,000
2016	5.30	60,000	5.15	35,000	4.00	35,000
2017	5.30	65,000	5.20	40,000	4.00	40,000
2018	5.40	65,000	5.25	40,000		-
2019	5.45	70,000	5.30	40,000		-
2020	5.50	75,000	5.35	45,000		-
2021	5.50	75,000	5.35	45,000		-
2022		-	5.40	50,000		-
Total		<u>\$525,000</u>		<u>\$365,000</u>		<u>\$145,000</u>

REVENUE BONDS

Year Ending June 30,	<u>Urban Renewal Tax Increment</u>	
	<u>Issued December 1, 2002</u>	
	<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>
2014	4.40%	\$ 100,000
2015	4.50	105,000
2016	4.60	110,000
2017	4.70	115,000
2018	4.80	120,000
2019	4.90	125,000
2020	5.00	135,000
2021	5.00	140,000
2022	5.00	145,000
Total		<u>\$1,095,000</u>

See Accompanying Independent Auditor's Report.

B O N D S A N D N O T E S

Essential Corporate Purpose Issued April 22, 2009		Essential Corporate Purpose Issued September 16, 2010		Essential Corporate Purpose Issued January 3, 2012		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
2.80%	\$110,000	1.50%	\$ 70,000	1.00%	\$ 30,000	\$ 335,000
3.10	110,000	1.70	75,000	1.00	30,000	345,000
3.30	105,000	1.90	80,000	1.60	35,000	350,000
-	-	2.20	85,000	1.60	35,000	265,000
-	-	2.50	85,000	1.60	35,000	225,000
-	-	2.75	85,000	2.20	35,000	230,000
-	-	2.90	90,000	2.20	40,000	250,000
-	-	-	-	2.20	40,000	160,000
-	-	-	-	-	-	50,000
	<u>\$325,000</u>		<u>\$ 570,000</u>		<u>\$ 280,000</u>	<u>\$2,210,000</u>

CITY OF EVANSDALE, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:				
Property tax	\$ 832,750	\$ 707,966	\$ 658,967	\$ 722,822
Tax increment financing	316,678	432,122	527,155	357,693
Other city tax	593,966	648,463	596,158	574,534
Licenses and permits	55,603	45,854	50,114	53,730
Use of money and property	31,604	32,988	26,345	43,373
Intergovernmental	599,223	923,676	1,470,318	1,203,268
Charges for service	283,424	283,594	261,967	236,937
Special assessments	9,111	1,922	-	-
Miscellaneous	96,225	241,253	405,803	284,497
Total	<u>\$2,818,584</u>	<u>\$3,317,838</u>	<u>\$3,996,827</u>	<u>\$3,476,854</u>
Disbursements:				
Operating:				
Public safety	\$1,006,111	\$1,008,844	\$1,162,243	\$ 974,691
Public works	655,573	594,387	1,602,296	605,309
Health and social services	15,705	-	20,256	19,519
Culture and recreation	272,425	318,416	235,863	185,530
Community and economic development	4,632	217,338	773,567	555,335
General government	304,788	325,253	430,371	453,568
Debt service	844,973	608,018	539,111	537,626
Capital projects	-	-	-	-
Total	<u>\$3,104,207</u>	<u>\$3,072,256</u>	<u>\$4,763,707</u>	<u>\$3,331,578</u>

See Accompanying Independent Auditor's Report.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 654,598	\$ 606,490	\$ 610,801	\$ 578,551	\$ 569,168
330,353	299,649	190,498	279,310	282,272
604,838	589,386	527,123	538,262	501,678
42,231	53,233	81,387	117,366	59,117
30,414	68,169	105,244	58,713	65,182
912,046	496,354	614,411	588,435	497,156
239,148	226,418	264,813	215,150	206,744
-	-	-	-	-
<u>291,731</u>	<u>278,595</u>	<u>308,699</u>	<u>373,041</u>	<u>460,550</u>
<u>\$3,105,359</u>	<u>\$2,618,294</u>	<u>\$2,702,976</u>	<u>\$2,748,828</u>	<u>\$2,641,867</u>
\$ 927,839	\$ 974,757	\$1,294,472	\$1,030,127	\$ 697,738
478,549	584,970	787,181	651,404	620,329
19,053	21,314	21,497	15,802	17,206
432,144	264,105	204,863	166,675	136,971
103,335	475,785	224,922	214,340	146,235
909,356	366,144	354,334	322,565	531,116
1,355,659	618,420	696,125	704,896	666,103
-	-	-	-	1,059,402
<u>\$4,225,935</u>	<u>\$3,305,495</u>	<u>\$3,583,394</u>	<u>\$3,105,809</u>	<u>\$3,875,100</u>



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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Evansdale, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated December 9, 2013. My report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles because the financial statements did not include the financial transactions of the Evansdale Volunteer Fire Department Association.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Evansdale's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Evansdale's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Evansdale's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Evansdale's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings as items (B), and (C) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Evansdale's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Evansdale's Responses to Findings

The City of Evansdale's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Evansdale's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Evansdale during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is fluid and cursive, with the first name "Larry" and the last name "Pump" clearly distinguishable.

Charles City, Iowa
December 9, 2013

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response accepted.

- (B) Post-dating of Checks - I noted several checks that were not in date sequential order.

Recommendation - The City should avoid the use of post-dating checks.

Response - We have discontinued the use of post-dating checks.

Conclusion - Response accepted.

- (C) Bank Signature Cards - I noted that one of the waterworks bank signature cards was not current.

Recommendation - All bank authorized signature cards should be reviewed and updated. Only current employees, board members or council members should be authorized signers.

Response - We have reviewed and updated all signature cards per guidelines recommended.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. Also, the City's amended budget figures in "Total Budget as Certified or Last Amended" does not agree with the original budget in the debt service function.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the City should ensure that budget amendment amounts are transferred correctly from the original to the amended budget.

CITY OF EVANSDALE, IOWA
Schedule of Findings
Year Ended June 30, 2013

Other Findings Related to Required Statutory Reporting: - continued

Response - The budget will be amended in the future, if applicable, and the City will be more careful in reviewing the amended budget figures.

Conclusion - Response accepted.

- (2) Questionable Disbursements - No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.